Oshawa

THE OSHAWA GROUP LIMITED

Annual Report for the fiscal year ended January 26, 1974

Enormous crowds jammed Hypermarché Laval on opening day.


31¢
22¢
.43

Contents

Results in Brief

(In thousands of dollars except per share data)	January 26 1974 (52 weeks)	January 27 1973 (53 weeks)	% Change
Sales			
Wholesale Food	$297,923	$247,366	+20.44
Retail Food	175,554	156,458	+12.21
Institutional Food	44,782	36,608	+22.33
General Merchandise	171,358	153,376	+11.72
Other	7,966	6,577	+21.12
Total	697,583	600,385	+16.19
Earnings Before Extraordinary Items	7,590	6,821	+11.27
Earnings Per Share Before Extraordinary Items*	1.08	0.97	+11.34
Extraordinary Income (Loss)	(38)	2,884	
Net Earnings	7,552	9,705	−22.18
Net Earnings Per Share*	1.07	1.38	−22.46
Shares*	7,041,816	7,024,990	+ 0.24
Dividends Paid Per Share	0.34	0.30	+13.33
Number of Stores at Year End			
Franchise IGA Markets	395	399	
Other Franchise Food Markets	329	297	
Company-owned Food Markets	75	80	
Department Stores	36	34	
Hypermarché	1	0	
Pharmacies	28	26	
Drug Marts	11	8	
Health and Beauty Aid Stores	8	9	
Restaurants and Snack Bars	80	65	
Catalogue Showrooms (50% owned)	45	26	

*Weighted average of combined Class A and Common Shares outstanding.

Year in Review

1973 saw considerable progress in most areas of Oshawa's business. Sales established a new record but earnings on a comparable basis were moderately lower reflecting higher income taxes and the non-recurring write-off of pre-opening expenses of Hypermarché Laval. Profits of the food divisions, under pressure for several years, returned to a more acceptable level, the institutional group enjoyed another excellent year while department store results were below expectations.

Ray D. Wolfe,
Chairman of the Board
and Chief Executive Officer.

Harvey S. Wolfe,
President and Chief Operating Officer.

Sales

Consolidated sales of $697,583,000 were $97,198,000 or 16.2% higher than in the 53 weeks ended January 27, 1973. As shown in the "Results in Brief," all groups contributed to this increase with the most significant gains in institutional and wholesale food sales.

Earnings

Consolidated net earnings before extraordinary items were $7,590,000, up 11.3% from the $6,821,000 reported last year. Earnings per share rose 11.3% to $1.08 on 7,041,816 shares from $0.97 on 7,024,990 shares in 1972. However, as indicated in the Advance Report, 1973 earnings reflect the accounting changes described in Note 1 to the financial statements. On a comparable basis, net earnings before extraordinary items were $6,197,000 or $0.88 per share. The accounting changes include a revision of amortization and depreciation rates which now conform generally to industry practice; the capitalization of applicable bank interest as a carrying charge to the cost of land and the treatment of profits and losses on the sale of land and certain properties as ordinary rather than extraordinary items.

After an extraordinary loss of $38,000, final net earnings were $7,552,000 or

$1.07 per share, compared with $9,705,000 or $1.38 per share last year when extraordinary income was $2,884,000 or $0.41 per share.

An important factor affecting earnings was the increase in the effective income tax rate to 50.8% from 46.2% in the preceding year, due primarily to the expiry of the Ontario government's special credit on purchases of certain capital equipment. The provision for income taxes increased to $7,026,000 from $5,437,000.

Financial Position

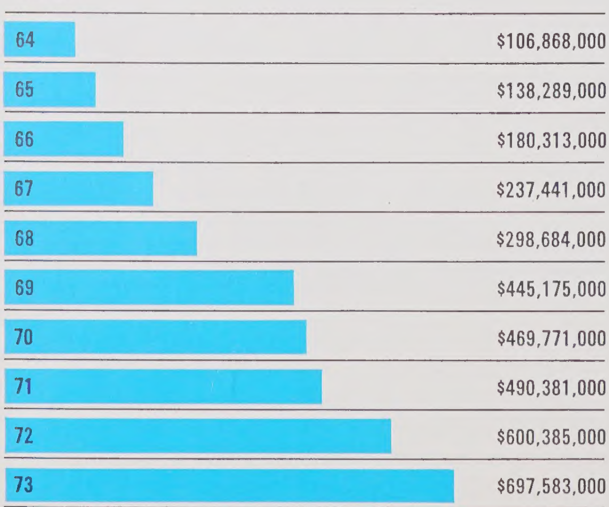
Working capital at January 26, 1974 was $14,357,000, a reduction of $671,000 from $15,028,000 last year. The various factors which affected working capital are shown in detail in the Consolidated Statement of Source and Use of Funds on Page 24.

Cash flow from operations, excluding the equity in net earnings of joint venture companies, was $15,533,000. Additional funds were derived from an increase in long-term debt of $2,378,000 and the sale of land and other fixed assets for $2,869,000. The principal uses of funds were the purchase of fixed assets, $16,950,000, and payment of dividends.

Dividends and Shareholders' Equity

Dividends of $2,394,000 equal to 34¢ per share were paid in 1973. The same dividend per share was declared for 1974.

Sales



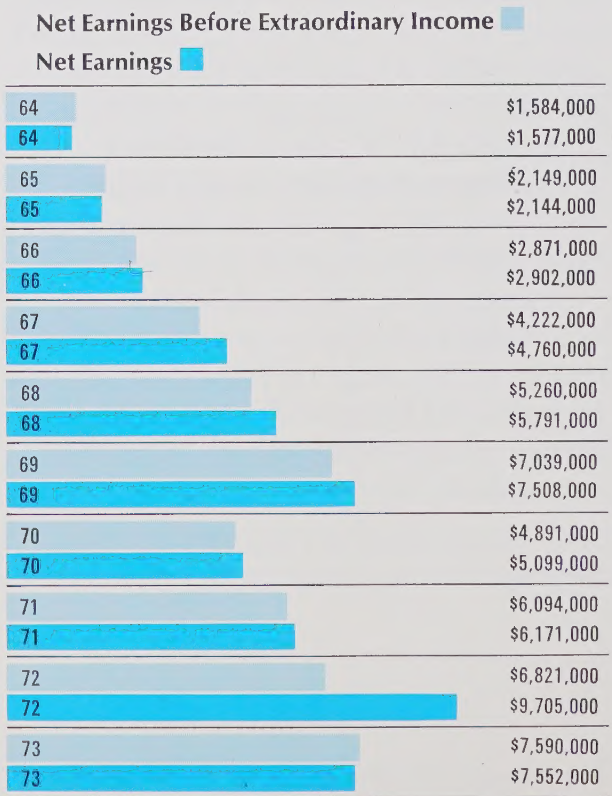
Shareholders' equity at January 26, 1974, after writing off goodwill, was $72,022,000 or $10.23 per share, up $4,456,000 from $67,566,000 or $9.62 per share at the preceding year end. During the year, the Company purchased for cancellation 33,000 Class A shares at a cost of $245,000.

In prior years Oshawa's policy was to record goodwill as an asset at cost. In 1973, the Company wrote off all goodwill to retained earnings and has given this retroactive effect. Net earnings for 1973 and prior years are not affected.

In conformity with recent recommendations of the Canadian Institute of Chartered Accountants, goodwill acquired after March 31, 1974 will be amortized as a charge to earnings over a period of years.

Operations

Perhaps the most encouraging feature of 1973 was a marked improvement in sales and profits of the four food divisions, a trend which has continued in 1974. Sales of IGA and other franchise dealers reached record levels, resulting in higher wholesale shipments and contribution to earnings.



Sales and earnings of Company-owned retail outlets, particularly the Food City chain, were also higher despite abnormally low meat margins throughout much of the year.

The institutional group achieved significant gains in both sales and earnings in 1973. Hickeson-Langs Supply Company, the largest division in the group,had an excellent year reflecting strong demand, firm prices and effective expense control. Ontario Produce Company Limited also enjoyed a good year due to unusually strong export demand. Langs Foods Limited had record earnings as its cold storage facilities, expanded during the year,operated at capacity.

Results of Towers Department Stores Limited, however, were disappointing. While sales were higher both in total and on a comparable-unit basis, the rate of increase, inhibited by intense competition was insufficient to offset higher operating expenses. Sales and earnings of the Restaurant Division, which are closely allied to those of Towers, were also below plan.

This heightened competition was due primarily to the proliferation of regional and community shopping centres in several key markets, many built in anticipation of new suburban development and as a hedge against rising land and building costs. The concomitant increase in department store selling area far exceeded the long-term growth in retail sales.

Rather than contributing to "overstoring," Oshawa will open new department stores only where research indicates opportunity for profitable operation within a reasonable time period.

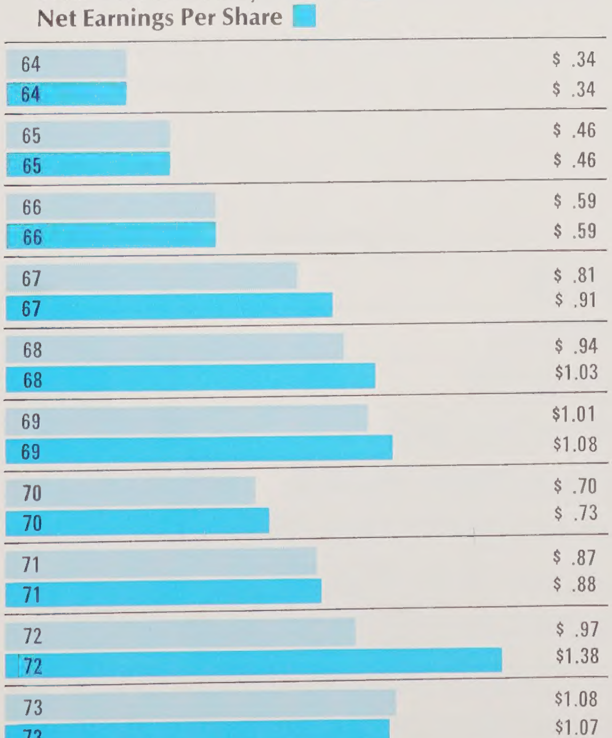
Kent Drugs Limited reported much improved earnings in 1973, reflecting greater operating efficiency and the maturing of the Drug City units.

Consumers Distributing Company (National) Limited

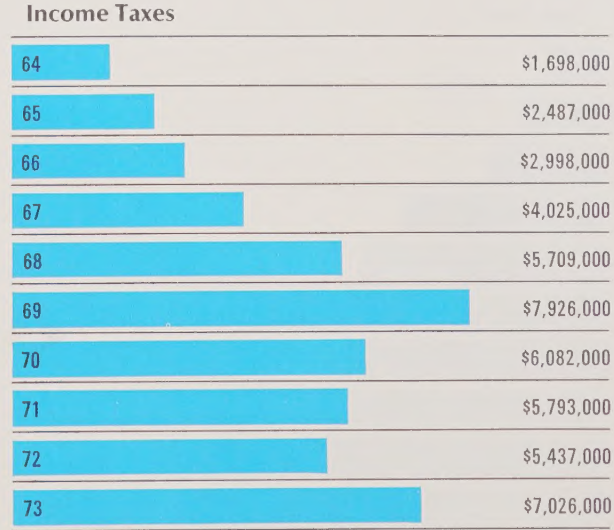
This company, owned jointly by Oshawa and Consumers Distributing Company Limited, continues to achieve outstanding sales and earnings growth. Sales in the fiscal year ended December 31, 1973 (which are not consolidated) were $33.8 million, up 90.9% from $17.7 million in 1972, while net earnings rose 55.3% to $1,402,000 from $903,000. Oshawa's equity in net earnings amounted to $701,000 or 10¢ per Oshawa share.

Twenty-one catalogue showrooms were opened during the year, bringing the number in operation to 45. An additional 27 showrooms are planned for 1974.

Net Earnings Per Share Before Extraordinary Income
Net Earnings Per Share



Income Taxes



Hypermarché Laval

Few events in retailing have aroused such interest in recent years as the opening on October 31, 1973 of Hypermarché Laval, North America's first combination super store. This 240,000 square-foot unit, a Canadian adaptation of a successful European retailing concept, was designed to achieve high volume by offering most family needs at excellent prices in a unique shopping environment. It features mass displays of both food and general merchandise with broad aisles and a centralized checkout of electronic terminals for maximum customer service and convenience.

Hypermarché Laval was the product of two years of intensive research and planning. All development and pre-opening expenses, amounting to $1,100,000 or approximately 8¢ per share after taxes, were expensed in 1973.

It is premature to attempt a definitive assessment of the economic potential of this type of store in the Canadian market. Consumer response has been enthusiastic and sales to date have been above expectations. However, certain cost benefits, for example those associated with the ability to by-pass normal distribution channels will not be fully realized until the advent of large-scale supplier prepricing with the introduction of the Universal Product Code by 1976. This code, a numbering system which identifies individual grocery items, will be conveyed by a symbol read by scanners linked to electronic terminals.

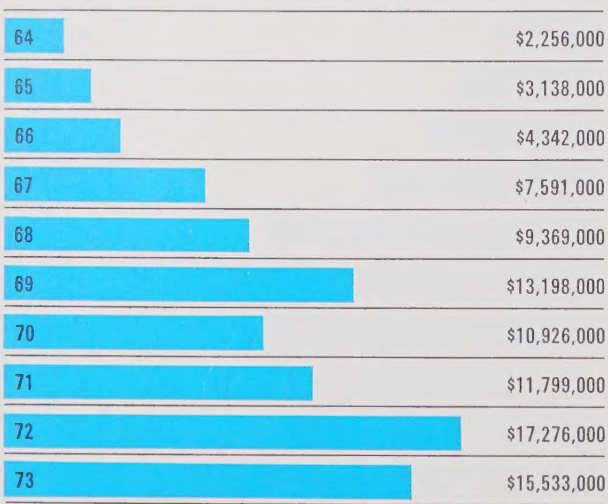
Expansion and Development – 1973

In 1973 Oshawa opened Hypermarché Laval, two department stores, four Food City outlets, two drug marts, 21 restaurant units, and seven new franchise food markets. In addition, ten new dealers joined the IGA program.

In Winnipeg, the Codville Distributors Limited warehouse was expanded by 70,000 square feet, permitting the consolidation of Midland Fruit Company and Allied Fruit & Produce. The addition includes a 40,000 square-foot produce warehouse and a 30,000 square-foot distribution facility for institutional food. In Hamilton, Langs Foods Limited's frozen storage capacity was increased by 380,000 cubic feet.

In November, 1973 Oshawa moved to a new corporate head office in the Valhalla Executive Centre in west Metropolitan Toronto and centralized all corporate staff and services with the exception of electronic data processing. This move enabled the Ontario Food Division to consolidate its offices at 125 The Queensway.

Cash Flow



Shareholders' Equity Per Share

Expansion and Development — 1974

The 1974 expansion program includes four Food City and one Les Aliments Bonimart outlets, two combination food and general merchandise stores, a Towers department store and 12 restaurant units. Dealer expansion includes ten new IGA units and two Locomart warehouse stores.

In July, 1974 Hickeson-Langs Supply Company will move into a new 120,000 square-foot warehouse in Toronto. An addition of 570,000 cubic feet to frozen storage capacity of Langs Foods' London, Ontario plant is scheduled for completion in August, 1974.

The most significant addition to Oshawa's distribution system will be a 340,000 square-foot semi-automated distribution centre in Mississauga, Ontario, incorporating the latest and most sophisticated systems of materials handling. Construction is scheduled to begin later this year with completion in 1975.

Management

To ensure continuity of the vigorous leadership required to meet the challenges and opportunities that lie ahead, several changes have been made in the management structure of Oshawa.

On October 19, 1973 Ray D. Wolfe assumed the role of Chairman of the Board and Chief Executive Officer responsible for overall Company performance and growth and Harvey S. Wolfe was appointed President and Chief Operating Officer responsible for day-to-day operations.

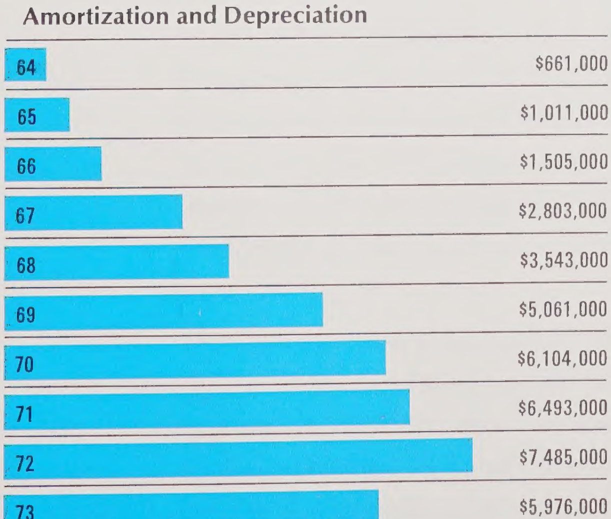
To further strengthen senior management, Jack Genser was recently appointed Group Vice President General Merchandise. Each of the Company's three main spheres of operations — Wholesale and Retail Food, Institutional Food and General Merchandise — is now under the direction of a Group Vice President reporting to the President. Mr. Genser was succeeded as President of Towers Department Stores Limited by Stanley Lipson, formerly Vice President Merchandising.

Other significant management changes in 1973 include the appointments of Sam Crystal as Vice President Public Affairs and Leif Christensen as Vice President and General Manager Restaurants.

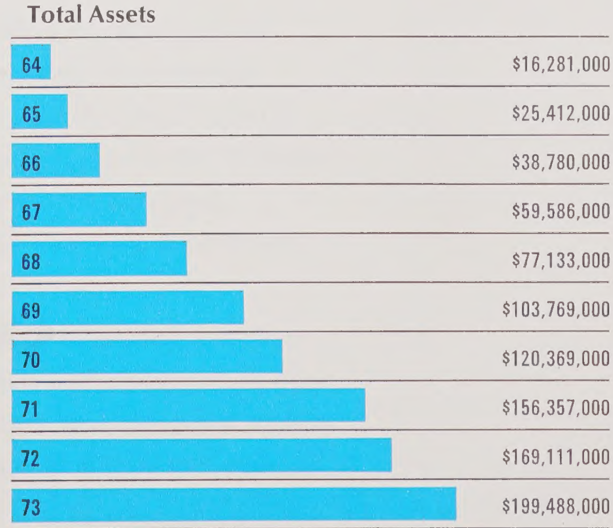
Food Prices

While every business is affected by national and international economic conditions, few have been so influenced by external forces as the food industry. A combination of increased international demand, particularly from an affluent Western Europe and Japan, uncertain supply due to poor crops and rising costs of labor, energy and virtually everything else resulted in rapidly escalating food prices throughout 1973.

Amortization and Depreciation



Total Assets



Both industry and government have made concerted efforts to control what so far has proven to be uncontrollable. Wage and price controls in the U.S. and other countries have failed to stem the tide of inflation as have voluntary restraints in Canada.

Government agencies were established to protect the consumer against rising prices while other federal departments were charged with ensuring that primary producers received an adequate return.

While in the short run these efforts may conflict, over the longer term it is essential that production of basic foodstuffs be stimulated.

For producer, manufacturer, wholesaler and retailer, the struggle to supply essential goods and services, to restrain inflation and to remain competitive while still obtaining a reasonable return on investment has been a challenging and often traumatic experience. Even more traumatic has been the effect of rising prices on consumers, particularly low wage earners and those on fixed incomes.

Consumer protest, while sometimes misdirected, is understandable. Although the Food Prices Review Board's investigations showed that rising food prices were not due to profiteering but to short supply, high demand and increasing costs, many people remain unconvinced.

Outlook

Rising prices are everyone's concern. The escalation in food prices has slowed in recent months, but it would be unrealistic to expect that price stability will be achieved in the near future. Oshawa is committed to providing the consumer with the best possible values and to restraining price increases through greater productivity and efficiency.

Consumer spending remains strong and despite the constant upward pressure on the cost of doing business, we look forward to a good year in 1974.

Acknowledgement

No report of the year's activities would be complete without recording our gratitude to our customers for their loyalty and understanding; to our suppliers who have had to cope with wide-spread shortages and rising costs; to our staff who have responded well to the demands of a difficult year and to our shareholders who have contended with a stock market more sensitive to world events than to Company progress.

June 4, 1974

RAY D. WOLFE
Chairman and Chief Executive Officer

HARVEY S. WOLFE
President and Chief Operating Officer

Oshawa
. . . a portrait

Oshawa is a Canadian company with an innovative approach to modern retailing and wholesaling. Its origin dates from 1911 when, with boundless energy and capital of $65, brothers Max and Maurice Wolfe launched Ontario Produce Company in Toronto. Within a few years the Company was well established, operating as an importing, exporting, trading and consignment house, supplying wholesalers, retailers, hospitals, hotels, ships, railroads and other institutional customers with fresh fruit and vegetables.

Out of adversity in 1948 came a decision which was to propel the produce company into the forefront of Canadian merchandising. The corporate food chains, which had become the Company's main customers, established their own produce supply. Independent retailers, the second largest source of business were being decimated by the chains. Clearly the Company had to seek new horizons. It was determined the greatest opportunity lay in uniting progressive independent food markets into an organized group.

To provide a full range of products, the Company acquired Oshawa Wholesale Limited, an Ontario firm wholesaling groceries, tobacco, confectionery and drugs. The Independent Grocers Alliance franchise for South Central Ontario was obtained and Oshawa's 750 customers were offered an IGA program enabling them to buy, advertise, merchandise and sell under a single banner. Only 49 stores with a combined retail volume of less than $5,000,000 joined the group but they were sufficient to launch IGA in Canada and breathe life and purpose into the Company.

In 1959 Oshawa absorbed its parent, The Ontario Produce Company, and secured the financing needed to accelerate growth with the issue of Class A shares. Within two years the Company opened Canada's first discount food market, a move which would have a profound effect on Canadian food marketing. In 1963 Oshawa entered the discount department store field.

Through new ventures, acquisitions and pioneering merchandising methods, Oshawa today is unique among Canadian mass retailer-wholesalers. The following pages illustrate what makes Oshawa unique — its size, diversity, physical facilities and the general flavor of the Company.

Serving Dynamic Independents

From the Atlantic to the Alberta border, Oshawa supplies independent food markets with all their needs, including a private label program and a wide range of services. These include real estate, engineering, personnel recruitment and training, in-store and multi-media advertising, merchandising, retail counselling, accounting, public and consumer relations. With this support, independents have grown and maintained a competitive and viable position in Canadian food retailing. Today many franchise retailers operate the leading food market in their community and owners of multiple units are not uncommon. Here are typical examples of successful and dynamic independent businessmen proudly served by Oshawa supply depots.

David Fortier, St. Eustache, Quebec.

David Fortier owns food markets in St. Eustache, Laval and Deux Montagnes near Montreal, all supplied by Hudon et Orsali Limitée*. David opened his first 1,000 square-foot market in 1951, doubled it six years later, then moved to a 6,200 square-foot market across the street in 1967. Meanwhile he had opened a second market and in January, 1974 his third. For David Fortier growth has been continuous since joining IGA.

When Ian Fletcher purchased his 1,800 square-foot Rosetown, Saskatchewan IGA market, all he had was "an open mind and the smallest food store in town." After two expansions, his 6,300 square-foot unit has surpassed the combined sales of his two local competitors. Now he is ready to grow again and is discussing a second store with his supplier, Codville Distributors Ltd.

*One of The Oshawa Group

Leon, Nathan, Aaron and Sam Yermus of Toronto.

The Yermus brothers, Aaron, Sam, Leon and Nathan operate five IGA markets in Ontario with a combined area of 41,000 square feet, exactly 38,200 square feet more than the first store they opened in Toronto in 1956. Aaron and Sam were partners in that little IGA store and it was here that they first realized the potential of IGA. They sold the original store in 1960 and began to expand both their business and partnership. Leon and then Nathan joined them and within a dozen years they had five markets. Since Oshawa's Ontario Food Division* sets no limits on dealer growth, the Yermus brothers intend to expand further.

Ian Fletcher, IGA dealer of Rosetown, Saskatchewan.

Nick Markowsky of Winnipeg, Manitoba.

Nick Markowsky's first job in food retailing was floor sweeper. He was 13. Today he is a partner in five Locomart warehouse markets supplied by Codville Distributors Ltd.* in Manitoba and Saskatchewan. All this was accomplished in five years and Nick is ready to grow again, building his sixth Locomart and considering one additional site. Says Nick: "There's great opportunity for the affiliated independent food retailer providing he sets his sights high." Nick is moving his sights higher all the time.

After six years as an Ontario Food Division* produce specialist counselling IGA dealers, Eddie Novinka decided it was more profitable to take advice than give it and acquired a small IGA unit in Havelock, Ontario. Six years later he was ready for a greater challenge and in 1972 purchased a 4,700 square-foot market in Oshawa, Ontario which he opened as a franchise Ranch Supermarket. In less than two years he has doubled sales to more than $30,000 weekly and is convinced that between his supply depot and himself "we are doing a lot of things right."

Eddie Novinka of Oshawa, Ontario.

Jack Ryan, an IGA retailer supplied by Bolands Limited*, is one of Truro, Nova Scotia's leading citizens. A grocer for 27 years, he joined the IGA program 19 years ago and has since expanded three times. Today he enjoys the highest food sales in a city in which there are three corporate chain stores and three other major independents. His success is not surprising because everyone in Truro knows Jack Ryan, former school board member, city councillor and deputy mayor. Now his son Roger, who has a Bachelor of Commerce degree, has joined the business.


Jack and Roger Ryan of Truro, Nova Scotia.


Nat Gallagher of Minto, New Brunswick.

Nat Gallagher's IGA market is the largest and busiest food store in Minto, New Brunswick. Nat has been a grocer all his life, as was his father before him. In fact, says Nat: "I'm not sure whether I was born on or under the counter in dad's store." Since joining the Bolands Limited* IGA program in 1964, his sales have increased 500 per cent and now average $17,000 weekly.

*One of The Oshawa Group

Oshawa Corporate Retailing

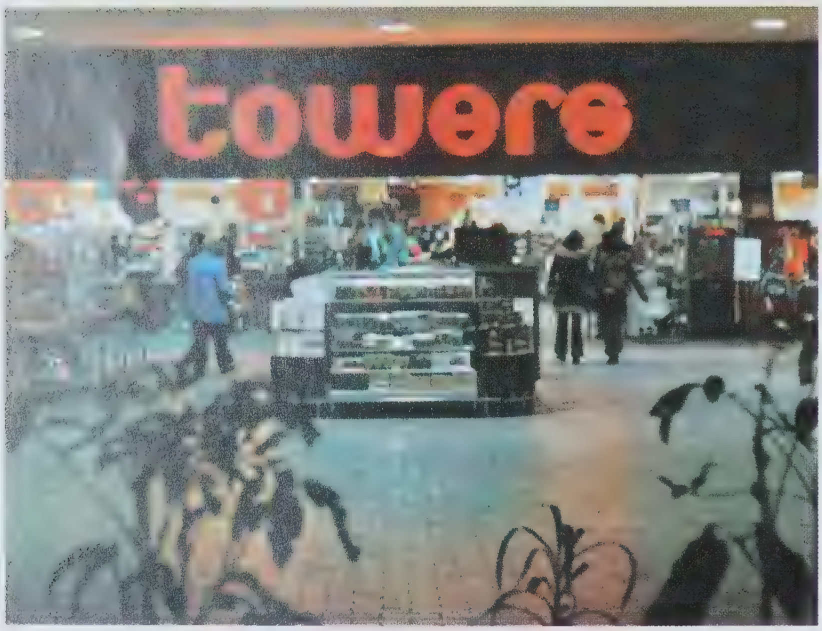
Oshawa had been a wholesaler for nearly a half century before opening its first corporate IGA markets. The move into retailing was motivated by the desire to learn retailing skills to better guide franchise operators; field test operating and merchandising techniques; train potential dealers and create an inventory of locations for continued growth.

In the early 1960s the Company substantially broadened its corporate retailing base through discount food markets, department stores, drug marts and health and beauty aid stores.

Oshawa's discount food markets — Food City and Bonimart Foods in Ontario and the Atlantic Provinces and Les Aliments Bonimart in Quebec — range from 14,000 to 40,000 square feet. These high volume stores incorporate the most advanced retailing techniques. Most feature in-store bakeries and delicatessens and several Family Centre units also include pharmacies and large non-food departments.

Towers and Bonimart* are promotional department stores carrying a full line of general merchandise other than furniture and major appliances. Located in Ontario, Quebec, Nova Scotia and New Brunswick, the stores range in size from 42,000 to 138,000 square feet and operate on the self-service, central checkout system. They present a wide variety of family fashions, home furnishings, hardware, and sporting goods, competitively priced and attractively displayed.

Drug City marts, operated by Kent Drugs Limited*, are located in Ontario and New Brunswick and carry a full range of attractively priced drugs, toiletries, cosmetics and related items. The stores are 4,600 to 10,700 square feet in size and each contains a complete pharmacy. Kent Drugs also operates pharmacies in Towers Department Stores and a number of health and beauty aid outlets.



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*One of The Oshawa Group

1. Twenty-two of the 36 Towers and Bonimart Department Stores are located in climate-controlled shopping malls such as Toronto's Galleria.
2. Towers buyers and merchandising manager discuss fashion samples in Montreal buying office.
3. Towers Department Store in Galleria Shopping Mall caters to specific tastes of Central Toronto's large ethnic population.
4. Shopping mall entrance to modern high volume Food City market.
5. Customers check out a large order in a Food City store.
6. Food City markets are attractively but functionally designed.
7. Fork lift operator moving a bagged sugar bin in Oshawa's huge Toronto distribution centre.
8. Oshawa's Kent Drugs Limited division operates drug marts in shopping centres as well as in free standing locations.
9. A typical Kent Drugs Limited pharmacy in a Towers Department Store.

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Hypermarché — a New Dimension in Retailing

Oshawa's Hypermarché Laval is a giant combination food and general merchandise super store. It has been called the most progressive development in retailing in 50 years. First of its kind in North America, it opened October 31, 1973 in Centre 2000, an Oshawa joint-venture shopping centre in suburban Montreal.

The size of four football fields (240,000 square feet), it is served by a single bank of 49 electronic computerized checkout terminals (plus 11 regional terminals) and places maximum emphasis on lower retail price, operating efficiency, shopping convenience and speed.

Hypermarché is pioneering new technologies in distribution, bulk handling, display, use of cubic space and front-end automation. Traditional handling and merchandising concepts are changed drastically. With Hypermarché, Oshawa has begun a new generation of retailing.

Hypermarché Laval offers values which attract shoppers from all over Laval, Montreal and surrounding communities. Broad varieties, enormous displays and movement freedom in wide aisles have particularly pleased Hypermarché Laval's customers. Nearly all general merchandise prices are wand read (next page, centre left) providing an accurate and speedy checkout service.


Hypermarché
Hyperma

Wholesale and Institutional Services

Oshawa's institutional group distributes a broad range of food and supplies to institutional customers from hospitals in Toronto to lumber camps in Northern Manitoba as well as supplying the Company's wholesale and retail food divisions.

The Ontario Produce Company Limited* is one of Canada's leading suppliers of domestic and imported fresh fruit and vegetables to wholesalers, retailers, jobbers and institutions. It operates a vegetable packaging plant near Ontario's Holland Marsh, serving both domestic and export markets and a subsidiary, Dominion Mushroom Company Limited*, produces 3,000,000 pounds of fresh mushrooms annually at its Pickering, Ontario farm. The White and Company*, recently acquired, is Oshawa's second wholesale produce outlet in the Ontario Food Terminal in Toronto.

From distribution centres in Toronto, Hamilton and London, Ontario, Hickeson-Langs Supply Company* serves hotels, restaurants, hospitals, schools, caterers and other institutional customers with groceries, meat, produce and frozen foods. A similar service is provided in Western Canada by Midland-Allied Fruit Company, a subsidiary of Codville Distributors Ltd.*

Langs Foods Limited* in Hamilton and London, Ontario, with combined storage space of 3,700,000 cubic feet, provides meat, vegetable, fruit and juice processors with blast freezing and commercial cold and frozen storage facilities. It also is the site of the Ontario Food Division's central meat cutting plant where sides of beef are broken down into sub-primal cuts for Food City and IGA markets.

*One of The Oshawa Group

Page 16, Oshawa's sprawling Dominion Mushroom Company Limited farm in Pickering, Ontario. Upper left, poly-packaged carrots in Holland Marsh plant. Lower left, Midland-Allied Fruit Company institutional food supply warehouse in Winnipeg. Upper right, selling strawberries at Ontario Produce Company Limited. Centre right, a Hickeson-Langs food delivery to a Toronto hospital. Lower right, moving product into frozen storage at Langs Foods Limited, Hamilton.

Laundry Services

Model Laundry Limited* supplies a rental service of linens, uniforms and work clothes to independent and corporate retail stores, hotels and industrial plants. Accounts are served from an efficient 20,000 square-foot laundry in Toronto.

Ironing line at Model Laundry.

Automotive Services

Automotive Services operates gasoline service bars on parking lots of large shopping centres. At present all Oshawa gas bars are located in Ontario and expansion is underway in Quebec.

Gas bar service with a smile.

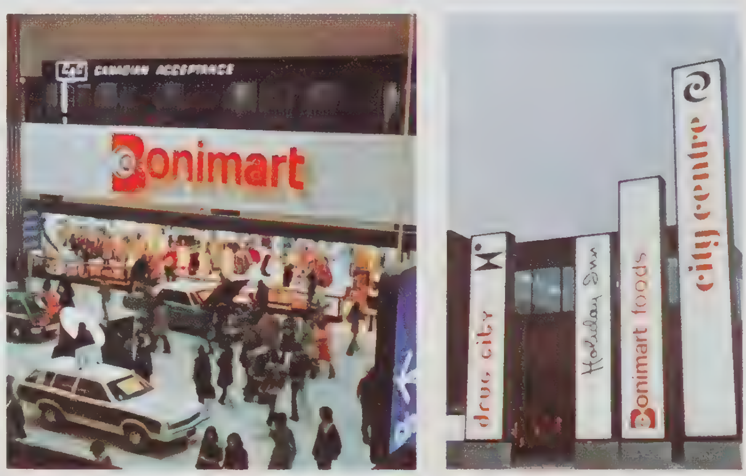
Computer Service

Comserve Limited* provides computer consulting and programming services to industry and governments and markets "software" which improves efficiency of computers and the people who use them.

Comserve consultants with client.

Shopping Centres

Through real estate subsidiaries, Oshawa owns 14 shopping centres, four Food City markets, and land for future development. The Company also has a 50 per cent interest in Centre 2000 (which contains Hypermarché Laval) and Decarie Square in Montreal.



City Centre, Oshawa's commercial complex in Sudbury.

*One of The Oshawa Group

Coinamatic

Coinamatic Laundry Equipment Limited* is a 90% owned United Kingdom operation with branches in Scotland, Ireland and West Germany. Coinamatic distributes laundry and dry cleaning equipment, parts and supplies and services both the coin laundry industry and institutional accounts.

The company operates its own coin laundries and is exclusive distributor for certain U.S. and Swiss manufacturers of washing and drying equipment as well as several innovative sanitary appliances.

Coinamatic also operates experimental frozen food retailing units under the Bonimart name.

Coinamatic supplied equipment in U.K. hotel laundry.

Apartment development coin laundry.

A Coinamatic frozen food retail outlet.

Dispensers

Oshawa Dispenser Company* sells frozen juice concentrate and frozen coffee extract and leases dispensers to institutional customers in Canada.

Oshawa Trading Limited* sells frozen juice concentrate programs and leases dispensers to hotels, juice bars and institutional customers in Bermuda and the Caribbean Islands.

Oshawa coffee dispenser.

*One of The Oshawa Group

Restaurants

Restaurants, cafeterias, snack bars and fast food kiosks in Ontario, Quebec, Nova Scotia and New Brunswick are another important facet of the Company's operation. Eating services are versatile and range from elegant dining in well-appointed restaurants to ethnic food kiosks and coffee and donut operations in high traffic shopping centre locations.

Catalogue Showrooms

In 1971 Oshawa entered into a partnership with Consumers Distributing Company Limited to open catalogue showrooms in all provinces except Ontario. The joint venture company, Consumers Distributing Company (National) Limited, opened nine catalogue showrooms in Montreal late in 1971. Public acceptance of this unique form of merchandising was most encouraging and within two years 45 showrooms had been opened in six provinces with another 27 planned.

1. Relaxing atmosphere in a well-appointed Oshawa restaurant.
2. Quality of food preparation is emphasized.
3. Restaurant Division versatility provides custom-designed facility for any shopping centre.

Interior and exterior of Consumers Distributing Company (National) Limited catalogue showroom in Winnipeg, Manitoba.

The Oshawa Group Limited and Subsidiary Companies

Consolidated Statement of Earnings

(In Thousands of Dollars)	Year Ended January 26, 1974 (52 Weeks)	Year Ended January 27, 1973 (53 Weeks)
SALES	$697,583	$600,385
COST OF SALES AND EXPENSES		
Cost of sales and expenses before the undernoted items:	674,082	577,247
Depreciation (note 1)	5,873	7,394
Interest (note 1)	5,007	5,125
	684,962	589,766
	12,621	10,619
Interest and dividends earned	1,207	1,159
Earnings from operations before income taxes	13,828	11,778
Income taxes	7,026	5,437
Earnings from operations	6,802	6,341
Equity in net earnings of Consumers Distributing Company (National) Limited	701	451
Equity in net earnings of other companies	87	29
Earnings before extraordinary items	7,590	6,821
Extraordinary items (note 6)	(38)	2,884
Net earnings	$ 7,552	$ 9,705
Earnings per share before extraordinary items (note 7)	$1.08	$0.97
Earnings per share (note 7)	$1.07	$1.38
Average number of shares outstanding	7,041,816	7,024,990

Consolidated Statement of Retained Earnings

(In Thousands of Dollars)	Year Ended January 26, 1974 (52 Weeks)	Year Ended January 27, 1973 (53 Weeks)
Balance, beginning of year as originally reported	$38,823	$31,228
Less: Write off of goodwill relating to prior years' acquisitions (notes 1 and 11)	32,829	31,246
Income tax adjustments of prior years (note 11)	141	141
	32,970	31,387
Balance (deficit), beginning of year as restated	5,853	(159)
Add: Net earnings for year	7,552	9,705
	13,405	9,546
Less: Write off of goodwill acquired during year (notes 1 and 11)	457	1,583
Dividends — Class A shares	2,336	2,059
— Common shares	58	51
	2,851	3,693
Balance, end of year	$10,554	$ 5,853

The accompanying notes are an integral part of the Consolidated Financial Statements

Consolidated Balance Sheet as at January 26, 1974

ASSETS (In Thousands of Dollars)	January 26, 1974	January 27, 1973
Current Assets		
Cash	$ 669	$ 689
Accounts receivable	21,749	15,974
Income taxes recoverable	1,278	1,368
Loans and mortgages receivable — current portion	1,865	1,687
Inventories, at lower of cost and net realizable value (note 1)	63,518	49,949
Prepaid expenses	2,927	2,286
	92,006	71,953
Investments and Other Assets		
Loans and mortgages receivable	9,468	8,881
Shares in Consumers Distributing Company (National) Limited (note 1)	1,317	616
Other investments (note 1)	2,425	1,494
Deferred rent and financing costs	852	955
	14,062	11,946
Fixed Assets (note 1)		
Land, buildings, equipment and leasehold improvements, at cost	125,705	111,882
Less: Accumulated depreciation	32,285	26,670
	93,420	85,212
	$199,488	$169,111

The accompanying notes are an integral part of the Consolidated Financial Statements

LIABILITIES (In Thousands of Dollars)			January 26, 1974	January 27, 1973
Current Liabilities				
Bank indebtedness (note 2)			$ 18,960	$ 4,689
Short term notes payable			2,200	9,450
Accounts payable and accrued liabilities			54,385	40,582
Current portion of long term debt			2,104	2,204
			77,649	56,925
Long Term Debt (note 3)			45,204	42,826
Deferred Income Taxes			4,435	1,642
Minority Interest in Subsidiaries			178	152
SHAREHOLDERS' EQUITY				
Capital Stock (note 4)				
Authorized				
12,167,000 (1973 — 12,200,000) Class A non-voting shares, without par value				
912,000 Common shares, without par value				
Issued	January 26, 1974	January 27, 1973		
Class A shares	6,839,428	6,872,428	61,424	61,669
Common shares	171,376	171,376	44	44
			61,468	61,713
Retained Earnings			10,554	5,853
			72,022	67,566
			$199,488	$169,111

Approved on behalf of the Board
Ray D. Wolfe, Director
William L. Atkinson, Director

Consolidated Statement of Source and Use of Funds

(In Thousands of Dollars)	Year Ended January 26, 1974 (52 Weeks)	Year Ended January 27, 1973 (53 Weeks)
SOURCE OF FUNDS		
Operations		
Net earnings for year	$ 7,552	$ 9,705
Items not requiring cash outlay:		
Depreciation	5,873	7,394
Amortization of deferred expenses	103	91
Deferred income taxes	2,793	566
Equity in net earnings of Consumers Distributing Company (National) Limited	(701)	(451)
Equity in net earnings of other companies	(87)	(29)
Total funds from operations	15,533	17,276
Other		
Reduction of loans and mortgages receivable	—	2,998
Reduction of investments	—	562
Disposal of fixed assets	2,869	1,037
Increase in long term debt	2,378	—
Issue of Class A shares	—	435
Sundry items	26	—
	20,806	22,308
USE OF FUNDS		
Increase in loans and mortgages receivable	587	—
Increase in investments	844	—
Purchase of fixed assets	16,950	12,163
Purchase of goodwill	457	1,583
Reduction of long term debt	—	7,013
Purchase of Class A shares for cancellation	245	—
Dividends to shareholders	2,394	2,110
Sundry items	—	32
	21,477	22,901
Decrease in working capital	$ 671	$ 593
Working capital, end of year	$ 14,357	$ 15,028
Working capital, beginning of year as originally reported	15,169	15,762
Less: Income tax adjustments of prior years	141	141
Working capital, beginning of year as restated	15,028	15,621
Decrease in working capital	$ 671	$ 593

The accompanying notes are an integral part of the Consolidated Financial Statements

1. ACCOUNTING POLICIES AND FINANCIAL INFORMATION

Principles of Consolidation

The consolidated financial statements include the accounts of The Oshawa Group Limited and all subsidiary companies.

The Company uses the purchase method in accounting for all acquisitions.

The interest of minority shareholders in the operating results of subsidiaries is not significant and is included in cost of sales and expenses in the consolidated statement of earnings.

Translation of Foreign Currencies

Current assets and current liabilities of foreign subsidiaries have been converted to Canadian dollars at rates of exchange prevailing at January 26, 1974; fixed assets with related provisions for depreciation have been converted at rates current at date of acquisition. Income and expense items have been converted at the average rates of exchange prevailing during the year.

Inventories

Inventories are valued at the lower of cost and net realizable value. The cost of warehouse inventories was determined using the first-in, first-out method and the cost of store inventories was determined by the retail inventory method.

Fixed Assets

Fixed assets are valued at cost and are depreciated by the straight-line method at rates sufficient to amortize the cost of the assets over their estimated useful life.

The fixed assets consist of:

	Estimated Useful Life	1974	1973
		(In Thousands of Dollars)	
Land		$ 15,387	$ 17,040
Buildings	20 - 40 years	45,169	42,922
Equipment	4 - 10 years	53,028	41,912
Leasehold Improvements	Term of lease plus first option to a maximum of 20 years	12,121	10,008
		125,705	111,882
Less: Accumulated depreciation		32,285	26,670
		$ 93,420	$ 85,212

During the year the Company revised its estimates of the useful life of certain fixed assets. Had the Company not revised this estimate, the depreciation charge for the current year would have been increased by $2,205,000 and the net earnings reduced by $1,080,000.

Investments

The Company has a 50% interest in Consumers Distributing Company (National) Limited which is accounted for by the equity method.

Other investments consist of:

	1974	1973
	(In Thousands of Dollars)	
Real estate joint venture, equity method	$ 897	$ —
Shares in other companies, equity method	169	50
Sundry investments, at cost	1,359	1,444
	$2,425	$1,494

Goodwill

In prior years, the Company's policy was to record goodwill as an asset at cost, so long as the value of such goodwill was not impaired. During the year, the Company adopted the policy of writing off goodwill to retained earnings in the year of acquisition and has given this policy retroactive effect. This change does not affect net earnings for the current year or prior years.

In conformity with recent recommendations of the Canadian Institute of Chartered Accountants, goodwill acquired after March 31, 1974 will be amortized as a charge to earnings by the straight-line method over the estimated life of such goodwill, not to exceed 40 years.

Development and Pre-opening Expenses

The Company's policy is to write off development and pre-opening expenses in the year in which new stores are opened. Accordingly, when the Company opened its first Hypermarché unit in Laval, Quebec, all development and pre-opening expenses totalling $1,100,000 were charged against current operations.

Interest

In prior years, the Company's policy was to capitalize certain carrying charges and development expenses, including mortgage interest, to the cost of land. During the year, the Company adopted the policy of capitalizing applicable bank interest as well as mortgage interest. Had the Company followed the same policy as in previous years, interest expense would have been increased by $442,000 and net earnings would have been reduced by $216,000.

Interest for the year consists of the following:

	1974	1973
	(In Thousands of Dollars)	
Interest on long term debt	$3,990	$4,412
Other interest	1,518	900
	5,508	5,312
Less: Interest capitalized to cost of land	501	187
Interest expense for year	$5,007	$5,125

Sales of Stores and Properties

During the year the Company adopted the policy of accounting for gains and losses on the sale of stores and properties, other than warehouses and similar operating facilities, as an integral part of the Company's operations. Accordingly, net earnings from these activities in the current year amounting to $97,000 have been included in ordinary income.

The comparative figures have not been restated since the effect of this change was not significant.

Pension Plans

Pension costs included in the consolidated statement of earnings represent contributions for current service. There is no unfunded past service liability.

2. BANK INDEBTEDNESS

The current bank indebtedness of the Company and certain subsidiaries is secured by a general assignment of their book debts, and in the case of one subsidiary, by a floating charge on its assets.

3. LONG TERM DEBT

This consists of the following:

	1974	1973
	(In Thousands of Dollars)	
Bank indebtedness	$ 5,505	$ 1,755
Notes and mortgages payable	17,778	19,250
Series A Debentures, due 1975 to 1991	20,000	20,000
$5^1/_2$% Subordinated Convertible Sinking Fund Debentures, due 1986	4,025	4,025
	47,308	45,030
Less: Current portion	2,104	2,204
	$45,204	$42,826

Bank Indebtedness

The long term bank indebtedness consists of a loan of $5,000,000 (the Company has the right to increase this loan to $9,450,000) repayable in 1977, secured by a mortgage on two properties and a loan of $505,000 repayable in 1978, secured by a pledge of securities.

Notes and Mortgages Payable

These obligations bear interest at an average rate of 8.9% per annum and provide for principal repayments as follows:

	(In Thousands of Dollars)
1975	$ 2,104
1976	3,628
1977	458
1978	988
1979	392
1980 - 2002	10,208
	$17,778

Series A Debentures

These debentures are secured by a floating charge on the undertaking and assets of the Company and consist of the following:

Description	Amount (In Thousands of Dollars)	Interest Rate	Maturity Date
Series A Serial Debentures	$ 5,000	$8^1/_4$%	$1,000,000 on June 15 in each of the years 1975 to 1979 inclusive
Series A Sinking Fund Debentures	15,000	$9^1/_4$%	June 15, 1991
	$20,000		

The Serial Debentures are not redeemable prior to maturity.

The Company has covenanted to retire $10,000,000 principal amount Sinking Fund Debentures prior to maturity as follows:

1978 and 1979	$ 250,000 in each year
1980 to 1982	500,000 in each year
1983 to 1990	1,000,000 in each year

In addition to the mandatory sinking fund payments referred to above, the Company has the non-cumulative right to retire up to $500,000 principal amount of Sinking Fund Debentures in each of the years 1976 to 1985.

Financing costs of this issue are being amortized over the terms of the debentures, and amount to $42,000 in the current year.

$5^1/_2$% Subordinated Convertible Sinking Fund Debentures

The Company has outstanding $4,025,000 of $5^1/_2$% Subordinated Convertible Sinking Fund Debentures due November 15, 1986. Annual Sinking Fund payments of $500,000 commence November 15, 1977. However, under the provisions of the Trust Indenture, $3,975,000 of debentures which have been converted are available to the Company as a credit against sinking fund payments. The debentures are convertible into Class A Shares as follows:

Up to November 15, 1976 at $14 per share;
November 16, 1976 to November 15, 1981 at $$15^1/_2$ per share, and
November 16, 1981 to November 15, 1986 at $17 per share.

4. CAPITAL STOCK

Class A Shares

The Class A Shares are non-voting, participating and entitled to a non-cumulative annual dividend of $1^1/_4$¢ per share in priority to payment of dividends on the common shares.

During the year the Company purchased for cancellation 33,000 Class A Shares at a cost of $245,000.

The Company has reserved 347,700 Class A Shares for issue under the Executives' and Key Employees' Plan 1966. As at January 26, 1974, options for 141,580 Class A Shares were outstanding under this plan, exercisable over various periods to 1978 at prices ranging from $9.80 to $12.82 per share.

The Company has reserved 287,500 Class A Shares for conversion of the $5^1/_2$% Subordinated Convertible Sinking Fund Debentures and a further 630,063 Class A Shares for the exercise of the Series A Warrants.

Series A Warrants

The Company has authorized the issue of Series A Warrants entitling the holders thereof to purchase in the aggregate 700,000 Class A Shares. The holder of each warrant is entitled to purchase one Class A Share of the Company during the undernoted periods at the undernoted prices:

Up to February 28, 1974	$50
From March 1, 1974 to February 28, 1975	$55
From March 1, 1975 to February 29, 1976	$60
From March 1, 1976 to February 28, 1977	$65
From March 1, 1977 to February 28, 1978	$70
From March 1, 1978 to February 28, 1979	$75

The warrants expire February 28, 1979.

As at January 26, 1974, 630,063 Series A Warrants were outstanding.

5. SALES

Sales for each of the major segments of the Company's business were as follows:

	1974 Amount (In Thousands of Dollars)	1974 %	1973 Amount (In Thousands of Dollars)	1973 %
Wholesale, institutional and retail food	$518,259	74	$440,432	73
General merchandise	171,358	25	153,376	26
Other	7,966	1	6,577	1
	$697,583	100	$600,385	100

6. EXTRAORDINARY ITEMS

These consist of the following:

	1974	1973
	(In Thousands of Dollars)	
Gain on sale of properties, net of income taxes [1974 — $23,000; 1973 — ($146,000)]	$ 57	$ 198
Gain on sale of marketable securities and investments, net of income taxes (1974 — $2,000; 1973 — $100,000)	4	2,622
Provision for loss by the trustee under an employee stock purchase plan (note 9)	(97)	(50)
Loss on discontinuance of modular construction division, net of income taxes recovered (1973 — $160,000)	—	(169)
Foreign exchange loss on conversion of the accounts of a subsidiary	(46)	(63)
Income tax reductions on application of prior years' losses	44	346
	$(38)	$2,884

7. FULLY DILUTED EARNINGS PER SHARE

If it were assumed that all the $5^1/_2\%$ Subordinated Convertible Sinking Fund Debentures outstanding at January 26, 1974 had been converted into Class A Shares as of January 28, 1973, and all stock options outstanding as at January 26, 1974 had been exercised as of January 28, 1973, the earnings per share for the year would have been as follows:

Earnings before extraordinary items	$1.04
Net earnings for the year	$1.03

For the purpose of calculating the fully diluted earnings per share, the earnings were increased by the interest, after income taxes, on the $5^1/_2\%$ Subordinated Convertible Sinking Fund Debentures and by imputed interest after income taxes, assuming that the funds derived from the exercise of the stock options were invested to produce an annual return of 9% before income taxes.

The number of Class A Shares was adjusted to reflect the additional shares that would have resulted from the foregoing.

8. LEASES

The total minimum rentals payable exclusive of additional amounts based on percentage of sales, taxes, insurance and other occupancy charges under long term leases in effect January 26, 1974 for store locations and office and warehouse facilities for each of the periods shown are as follows:

	(In Thousands of Dollars)
1975	$ 9,920
1976 - 1980	42,739
1981 - 1985	37,056
1986 - 1990	25,973
After 1990	35,915

In addition, the Company has signed leases or agreements to lease for new store locations and other facilities which when occupied will have a minimum annual rental of approximately $1,868,000.

It is expected that rental revenue of $3,259,000 will be received in 1975 from locations that have been sublet.

9. CONTINGENT LIABILITIES AND COMMITMENTS

(a) The Company has guaranteed one-half of the bank loan of Consumers Distributing Company (National) Limited to a limit of $7,500,000 and has agreed under certain conditions to advance funds or arrange financing for the 1974 expansion program of this company. As at January 26, 1974, the Company's liability under the bank guarantee was $3,750,000. In addition, the Company has guaranteed long term leases of Consumers Distributing Company (National) Limited having minimum annual rentals of approximately $843,000.

(b) The Company has a 50% interest in Decarie Square Inc., which plans to develop a commercial and residential complex in Metropolitan Montreal, Quebec. The aggregate cost of the site and development of the initial commercial phase is estimated at $21,000,000 for which a term bank loan of $19,000,000 has been arranged. Under the loan agreement, the other participant and the Company have jointly and severally guaranteed completion of the construction, and each has guaranteed one-half of any deficiency between rental income and interest, standby fees and operating costs.

(c) The Company has indemnified the trustee of an employee stock purchase plan against any losses incurred. Provision has been made in the accounts for an estimated loss of $417,000 of which $97,000 pertains to the current year. (note 6)

(d) The Company has agreed to pay for the cost of construction, estimated at $3,375,000, of a department store being built on behalf of the Company in the Sudbury City Centre and to enter into a long term lease with The T. Eaton Company Limited.

(e) During the previous year the Company realized extraordinary income of $2,345,000 on the sale of certain shares and debentures which was accounted for as a non-taxable capital gain. This transaction is subject to review by the taxation authorities and if considered taxable, the Company would be liable for income taxes to a maximum of $1,137,000 and the prior year's extraordinary income would be reduced accordingly.

10. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The aggregate direct remuneration paid during the year by the Company to the directors and senior officers of the Company as defined by the Ontario Business Corporations Act was $707,000. (1973 — $670,000)

11. COMPARATIVE FIGURES

The comparative figures for the previous year have been reclassified where necessary to conform with the current year's presentation and have been restated to give effect to the retroactive write off of goodwill to retained earnings (note 1) and income tax adjustments of prior years.

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of The Oshawa Group Limited and subsidiary companies as at January 26, 1974, and the consolidated statements of earnings, retained earnings and source and use of funds for the year then ended. Our examination of the financial statements of The Oshawa Group Limited and those subsidiaries of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of the other subsidiaries.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at January 26, 1974, and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the changes referred to in note 1 to the consolidated financial statements with which changes we concur.

Wm. Eisenberg & Co.
Chartered Accountants

Toronto, Canada April 23, 1974

Ten Year Comparative Summary (in thousands of dollars except per share data)

The Oshawa Group Limited

Year Ended	Sales	Amortization and Depreciation	Income Taxes	Earnings Before Extraordinary Income	Earnings Per Share Before Extraordinary Income*	Earnings Before Extraordinary Income as a % of Sales	Net Earnings	Net Earnings Per Share *†	Cash Flow	Total Dividends	Dividends Per Share	Reinvested in Business
Jan. 26, 1974	$697,583	$5,976	$7,026	$7,590	$1.08	1.09	$7,552	$1.07	$15,533	$2,394	34.0¢	$5,158
Jan. 27, 1973	600,385	7,485	5,437	6,821	.97	1.14	9,705	1.38	17,276	2,110	30.0	7,595
Jan. 22, 1972	490,381	6,493	5,793	6,094	.87	1.24	6,171	.88	11,799	1,748	25.0	4,423
Jan. 23, 1971	469,771	6,104	6,082	4,891	.70	1.04	5,099	.73	10,926	1,747	25.0	3,352
Jan. 24, 1970	445,175	5,061	7,926	7,039	1.01	1.58	7,508	1.08	13,198	1,528	22.0	5,980
Jan. 25, 1969	298,684	3,543	5,709	5,260	.94	1.76	5,791	1.03	9,369	1,020	18.0	4,771
Jan. 27, 1968	237,441	2,803	4,025	4,222	.81	1.78	4,760	.91	7,591	690	13.0	4,070
Jan. 28, 1967	180,313	1,505	2,998	2,871	.59	1.59	2,902	.59	4,342	490	10.0	2,412
Jan. 22, 1966	138,289	1,011	2,487	2,149	.46	1.55	2,144	.46	3,138	426	9.0	1,718
Jan. 23, 1965	106,868	661	1,698	1,584	.34	1.48	1,577	.34	2,256	289	6.5	1,288

Year Ended	Shares *†	Shareholders' Equity **	Shareholders' Equity Per Share ** *†	High-Low Stock Price	Total Assets **	Current Assets **	Current Liabilities	Working Capital **	Current Ratio **	Salaries, Wages, Benefits	Number of Regular Employees At Year End
Jan. 26, 1974	7,041,816	$72,022	$10.23	11⅝– 6	$199,488	$92,006	$77,649	$14,357	1.18:1	$69,424	6,169
Jan. 27, 1973	7,024,990	67,566	9.62	14¾–10¼	169,111	71,953	56,925	15,028	1.26:1	57,920	6,246
Jan. 22, 1972	6,991,515	61,260	8.76	14⅜– 8¾	156,357	59,775	44,013	15,762	1.36:1	50,169	5,602
Jan. 23, 1971	6,981,908	56,751	8.13	25⅛– 9½	120,369	57,356	50,115	7,241	1.14:1	46,881	6,316
Jan. 24, 1970	6,942,502	53,225	7.67	36⅜–22	103,769	47,176	38,629	7,547	1.22:1	40,794	7,011
Jan. 25, 1969	5,609,276	36,490	6.51	45¾–27¼	77,133	40,591	30,804	9,787	1.32:1	27,705	4,791
Jan. 27, 1968	5,226,648	23,391	4.48	32¼–12⅜	59,586	34,368	23,148	11,220	1.48:1	19,722	3,092
Jan. 28, 1967	4,877,247	13,909	2.85	15¼–11	38,780	21,084	13,257	7,827	1.59:1	12,051	2,085
Jan. 22, 1966	4,686,344	10,932	2.33	15 – 8½	25,412	12,732	10,719	2,013	1.19:1	8,044	1,654
Jan. 23, 1965	4,608,977	7,609	1.65	9⅛– 5	16,281	9,833	7,486	2,347	1.31:1	5,265	1,001

*Combined Class A and Common.

†Figures for previous years have been adjusted for the two-for-one stock splits of June 9, 1964, October 21, 1965 and October 11, 1967. Net Earnings Per Share and Shareholders' Equity Per Share have been calculated on the average number of shares outstanding during the year rather than on the shares outstanding at the end of the year.

**The comparative figures have been restated to give effect to the retroactive write-off of goodwill to retained earnings and income tax adjustments of prior years.

Oshawa's Canadian Operations

Atlantic Provinces
- IGA Markets 37
- Food City Market 1
- Towers Department Stores 2
- Drug City Mart 1
- Restaurants 6
- Non-affiliated Food Stores 24
- Catalogue Showrooms 7
- Distribution Centre 1

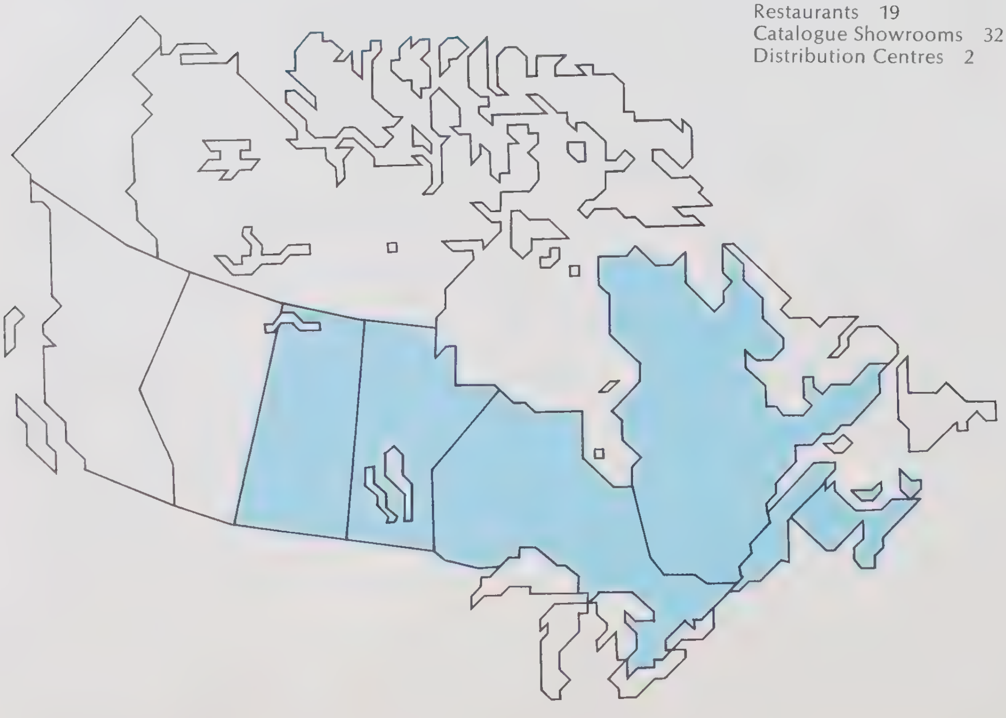
Quebec
- IGA Markets 144
- Bonimart Foods 2
- National Markets 27
- Cash & Carry Outlets 6
- Non-affiliated Food Stores 104
- Hypermarché 1
- Bonimart and Towers Department Stores 7
- Restaurants 19
- Catalogue Showrooms 32
- Distribution Centres 2

Ontario
- IGA Markets 136
- Food City Markets and Bonimart Foods 39
- Ranch Supermarkets 8
- Handy Markets 26
- Non-affiliated Food Stores 51
- Towers and Bonimart Department Stores 27
- Drug City Marts 10
- Pharmacies 21
- Stripe Health & Beauty Aid Stores 8
- Restaurants 55
- Gas Bars 7
- Distribution Centres 5

North Western Ontario
- IGA Markets 5
- Much More Markets 21
- Non-affiliated Food Stores 12

Manitoba
- IGA Markets 29
- Locomart Warehouse Stores 5
- Cash & Carry Outlets 2
- Much More Markets 174
- Non-affiliated Food Stores 43
- Catalogue Showrooms 6
- Distribution Centre 1

Saskatchewan
- IGA Markets 60
- Locomart Warehouse Stores 2
- Cash & Carry Outlets 4
- Much More Markets 55
- Non-affiliated Food Stores 278
- Distribution Centres 2



Directors, Management and Salient Data

Directors

Max Wolfe
Honorary Chairman of the Board

Ray D. Wolfe
Chairman of the Board

*William L. Atkinson

Murray C. Goldman

*Albert Shifrin, Q.C.

Harold J. Wolfe

Harvey S. Wolfe

Jack B. Wolfe

Leonard Wolfe

*Harry L. Wolfson

*Audit Committee

Officers

Max Wolfe,
Honorary Chairman of the Board

Ray D. Wolfe,
Chairman of the Board and
Chief Executive Officer

Harvey S. Wolfe,
President and
Chief Operating Officer

William L. Atkinson,
Executive Vice President Finance

Murray C. Goldman,
Treasurer

Harold J. Wolfe,
Secretary

Corporate Management

Ray D. Wolfe,
Chairman of the Board and
Chief Executive Officer

Harvey S. Wolfe,
President and
Chief Operating Officer

William L. Atkinson,
Executive Vice President Finance

Leonard Wolfe,
Executive Vice President
Corporate Services

Vern T. Barber,
Group Vice President Food Divisions

Jack Genser,
Group Vice President
General Merchandise

Jack B. Wolfe,
Group Vice President
Institutional Food

Sam Crystal,
Vice President Public Affairs

Norman J. Pentecost,
Vice President Personnel

Adam Silverberg,
Vice President Real Estate

E. L. Besler, C.A.,
Group Controller

Operating Divisions

Wholesale and Retail Food

BOLANDS LIMITED,
Dartmouth, Nova Scotia

Mead K. Smith,
President and General Manager

Robert D. Thomson,
Executive Vice President and Secretary

William B. Peters,
Vice President Administration
and Controller

Jack van Brummen,
Vice President Retail Operations

CODVILLE DISTRIBUTORS LTD.,
Winnipeg, Manitoba

William H. Holman,
President and General Manager

Max Hatch,
Vice President, Codville Company

Victor Finlay,
Vice President and General Manager,
J. M. Sinclair Co.

Victor Gouriluk,
President, Midland-Allied Fruit Co.

HUDON ET ORSALI LIMITÉE,
Montreal, Quebec

Guy Hudon,
President and General Manager

Jean Richer,
Vice President Sales

Claude A. Sanschagrin,
Vice President Administration

ONTARIO FOOD DIVISION

Allister P. Graham,
Vice President and General Manager

John F. Brown, Ph.D.,
Vice President Warehousing
and Distribution

Vernon G. Jantzi,
Vice President Corporate Stores

Ben G. Terry,
Vice President Franchise Stores

Harry Guest,
General Sales Manager

General Merchandise

HYPERMARCHÉ

Glyn Hacking,
General Manager

KENT DRUGS LIMITED

Ab Flatt,
President

Douglas F. Holland,
Vice President and General Manager

RESTAURANTS

Leif Christensen,
Vice President and General Manager

TOWERS DEPARTMENT STORES LIMITED

Stanley Lipson,
President and General Manager

Robert Dearden,
Vice President Merchandising

Alex Kennedy,
Vice President Sales and Operations

Gordon Murray,
Vice President Personnel

Isadore Roitman,
Vice President Merchandising

John Share,
Vice President Distribution

Hugh Simpson,
Vice President Administration

Institutional

AUTOMOTIVE SERVICES

Richard Wolfe,
Manager

DOMINION MUSHROOM COMPANY LIMITED

Nate Tickner,
Manager

E. W. HICKESON & CO. LIMITED

Charles Davies,
President and General Manager

LANGS FOODS LIMITED

Linn Johnstone,
General Manager

OSHAWA DISPENSER COMPANY

J. Alan Jack,
General Manager

THE ONTARIO PRODUCE COMPANY LIMITED

Harry Russell,
General Manager

BRADFORD PACKAGING

Glen Henderson,
Manager

THE WHITE & COMPANY

Vance Graham,
Manager

Services

COINAMATIC LAUNDRY EQUIPMENT LIMITED,
London, United Kingdom

Robin H. Phillips,
Managing Director

COMSERVE LIMITED

James H. Finch,
President and General Manager

MODEL LAUNDRY LIMITED

Carlo Bryce,
General Manager

Registrar and Transfer Agents

Class A Shares and Series A Debentures
The Canada Trust Company,
Toronto, Montreal, Calgary,
Vancouver and Regina

5½% Subordinated Convertible Sinking Fund Debentures
The National Trust Co. Ltd.,
Toronto

Auditors

Wm. Eisenberg & Co., Toronto

Bankers

Canadian Imperial Bank of Commerce
Mercantile Bank of Canada
Bank of Montreal
Bank of Nova Scotia
Toronto-Dominion Bank

Listed on

Toronto Stock Exchange
Montreal Stock Exchange

Head Office

300 The East Mall (Isl.)
Toronto, Canada
M9B 6B8

Subsidiaries

Bolands Limited
Codville Distributors Ltd.
Hudon et Orsali Limitée
Midland Fruit Co. Ltd.

Coinamatic Laundry Equipment
Limited

Comserve Limited

Dominion Mushroom Company
Limited
E. W. Hickeson & Co. Limited
Langs Foods Limited
The Ontario Produce Company
Limited

Marchland Holdings Limited
Oshawa Properties Limited

Model Laundry Limited

Oshawa Trading Limited

Towers Department Stores Limited
Kent Drugs Limited

Consumers Distributing Company
(National) Limited (50% owned)

Oshawa

MIDYEAR REPORT

For the 28 weeks
ended August 10, 1974

The Oshawa Group Limited
300 The East Mall (Isl.)
Toronto, Canada M9B 6B8

Sales and Earnings

Sales in the 28 weeks ended August 10, 1974 increased 21.6% to a record $425,860,000 from $350,166,000 last year. Net earnings before extraordinary income were $2,801,000, a decline of 13.0% from $3,221,000, reflecting a 33-day strike by warehousemen and drivers of the Ontario Food Division, Hickeson-Langs Supply Company and Ontario Produce Company Limited and opening year operating losses sustained by Hypermarché Laval. Earnings per share before extraordinary income were 40.1 cents on 6,989,948 shares, down 12.3% from 45.7 cents on 7,043,804 shares last year. 1973 earnings have been restated in accordance with the accounting changes announced previously.

Extraordinary income of $2,037,000, derived from expropriation of the Pickering properties of Dominion Mushroom Company Limited and sale of Comserve Limited brought final net earnings to $4,838,000 compared with $3,551,000, an increase of 36.2% over last year. Final net earnings per share were 69.2 cents, up 37.3% over 50.4 cents. Dominion Mushroom continues to operate and a lease-back of the expropriated property is under negotiation.

Growth

In the period under review, Oshawa opened two combination food and department stores in Prince Edward Island and a Food City Family Centre in Toronto. It purchased for cash and notes all of the issued and outstanding shares of Dutch Boy Food Market Limited and Kitchener Food Market Limited which operate four supermarkets and three convenience stores in Kitchener-Waterloo. Hudon et Orsali Limitée purchased for cash all of the issued and outstanding shares of E. Deaudelin Inc., a Montreal-based wholesaler supplying 240 outlets. Consumers Distributing Company (National) Limited, 50% owned by Oshawa, opened 10 catalogue showrooms. In the second half two additional Family Centres, one department store, a warehouse food market and 13 catalogue showrooms will be opened.

Outlook

Sales in all divisions are running well ahead of last year and gross profit margins are firm. Despite continued upward pressure on operating costs, particularly wages, salaries and interest, earnings in the second half should show a satisfactory improvement over 1973.

R. D. Wolfe
Chairman and
Chief Executive Officer

H. S. Wolfe
President and
Chief Operating Officer

October 18, 1974

The Oshawa Group Limited and Subsidiary Companies

Consolidated Statement of Profit and Loss

(thousands of dollars)

	28 weeks ended **August 10 1974**	August 11 1973	% Increase (Decrease)
Sales	**$425,860**	$350,166	21.6
Earnings before undernoted items	**$ 5,110**	$ 6,294	(18.8)
Income taxes	**2,552**	3,164*	(19.3)
	$ 2,558	$ 3,130*	(18.3)
Equity in net earnings of Consumers Distributing Company (National) Limited	**148**	91	62.6
Equity in net earnings of other companies	**95**	—	—
Earnings before extraordinary income	**$ 2,801**	$ 3,221*	(13.0)
Extraordinary income	**2,037**	330	—
Net earnings	**$ 4,838**	$ 3,551*	36.2
Net earnings per combined Class "A" and common shares	**69.2¢**	50.4¢*	37.3
Earnings per share before extraordinary income	**40.1¢**	45.7¢*	(12.[illegible])
Shares outstanding (based on average number of shares outstanding during 28 weeks)	**6,989,948**	7,043,804	(0.3)

*Restated to reflect the accounting change announced previously. All figures unaudited and subject to year-end adjustments.

The Oshawa Group Limited and Subsidiary Companies

Consolidated Statement of Source and Use of Funds

(thousands of dollars)

	28 weeks ended August 10 1974	August 11 1973
Source of Funds		
Operations		
Net earnings for year	$ 4,838	$ 3,551
Items not requiring cash outlay:		
Depreciation	3,531	2,946
Amortization of deferred expenses	38	70
Deferred income taxes	283	256
Equity in net earnings of Consumers Distributing Company (National) Limited	(148)	(91)
Equity in net earnings of other companies	(95)	—
Total funds from operations	$ 8,447	$ 6,732
Other		
Reduction of loans and mortgages receivable	1,073	—
Reduction of investment	55	77
Increase in long term debt	3,046	2,650
Sundry items	19	34
Total Source of Funds	$12,640	$ 9,493
Use of Funds		
Purchase of fixed assets less disposals	$ 7,161	$ 2,907
Purchase of goodwill	694	360
Increase in loans and mortgages receivable	—	1,711
Purchase of Class "A" shares for cancellation	1,305	—
Dividends to shareholders	1,184	1,197
Sundry items	—	27
Total Use of Funds	$10,344	$ 6,202
Increase in working capital	$ 2,296	$ 3,291
Working capital at end of period	$16,653	$18,319
Working capital at beginning of year	14,357	15,028
Increase in working capital	$ 2,296	$ 3,291

Notes: 1. All figures unaudited and subject to year-end adjustments.

2. On a fully diluted basis, earnings per share amounted to 66.2¢ (48.5¢ in 1973) and earnings per share before extraordinary income to 39.0¢ (44.1¢ in 1973).

3. 1973 figures have been restated to reflect the accounting changes announced previously.

The Oshawa Group Limited et ses filiales

État consolidé de la source et de l'emploi des fonds

(en milliers de dollars)

	28 semaines terminées	
	Le 10 août 1974	Le 11 août 1973
Source des fonds		
Exploitation		
Bénéfices nets de la période	**$ 4,838**	$ 3,551
Dépenses n'entraînant pas de sortie de fonds :		
Dépréciation	**3,531**	2,946
Amortissement de dépenses différées	**38**	70
Impôts sur le revenu différés	**283**	256
Part des bénéfices nets de Consumers Distributing Company (National) Limited	**(148)**	(91)
Part des bénéfices nets d'autres Compagnies	**(95)**	—
Total des fonds provenant de l'exploitation	**$ 8,447**	$ 6,732
Autres		
Diminution des prêts et des hypothèques à recevoir	**1,073**	—
Diminution des placements	**55**	77
Augmentation de la dette à long terme	**3,046**	2,650
Divers	**19**	34
Total de la source des fonds	**$12,640**	$ 9,493
Emploi des fonds		
Achat d'immobilisations moins la vente d'immobilisations	**$ 7,161**	$ 2,907
Achat d'achalandage	**695**	360
Augmentation des prêts et des hypothèques à recevoir	**—**	1,711
Achat d'actions de catégorie "A" pour annulation	**1,305**	—
Dividendes aux actionnaires	**1,184**	1,197
Divers	**—**	27
Emploi total des fonds	**$10,344**	$ 6,202
Augmentation du fonds de roulement	**$ 2,296**	$ 3,291
Fonds de roulement – à la fin de la période	**$16,653**	$18,319
Fonds de roulement – au début de l'exercice	**14,357**	15,028
Augmentation du fonds de roulement	**$ 2,296**	$ 3,291

Notes : 1. Tous les chiffres n'ont pas été soumis à une vérification comptable et sont sujets à des ajustements à la fin de l'exercice.

2. Sur une base entièrement diluée, les bénéfices par action s'élevèrent à 66.2¢ (48.5¢ en 1973) et les bénéfices par action avant le revenu extraordinaire à 39.0¢ (44.1¢ en 1973).

3. Tous les chiffres de 1973 ont été recalculés pour refléter les changements de comptabilité annoncés précédemment.

The Oshawa Group Limited et ses filiales

État consolidé des profits et pertes

(en milliers de dollars)

	28 semaines terminées **Le 10 août 1974**	Le 11 août 1973	% d'augmentation (de diminution)
Ventes	**$425,860**	$350,166	21.6
Bénéfices avant les articles annotés ci-dessous	**$ 5,110**	$ 6,294	(18.8)
Impôts sur le revenu	**2,552**	3,164*	(19.3)
	$ 2,558	$ 3,130*	(18.3)
Part des bénéfices nets de Consumers Distributing Company (National) Limited	**148**	91	62.6
Part des bénéfices nets d'autres compagnies	**95**	—	—
Bénéfices avant le revenu extraordinaire	**$ 2,801**	$ 3,221*	(13.0)
Revenu extraordinaire	**2,037**	330	—
Bénéfices nets	**$ 4,838**	$ 3,551	36.2
Bénéfices nets par action ordinaire et actions de catégorie "A" combinées	**69.2¢**	50.4¢	37.3
Bénéfices par action avant le revenu extraordinaire	**40.1¢**	45.7¢*	(12.3)
Actions en circulation (d'après le nombre en moyenne d'actions en circulation durant 28 semaines)	**6,989,948**	7,043,804	(0.8)

*Recalculé pour tenir compte du changement de comptabilité annoncé précédemment. Tous les chiffres n'ont pas été soumis à une vérification comptable et sont sujets aux ajustements de fin d'exercice.

Ventes et Bénéfices

Les ventes au cours des 28 semaines terminées le 10 août 1974 augmentèrent de 21.6% pour atteindre un record de $425,860,000 en comparaison de $350,166,000 l'année dernière. Les bénéfices nets avant le revenu extraordinaire ont été de $2,801,000 soit une diminution de 13.0% en comparaison de $3,221,000, ce qui reflète l'effet d'une grève pendant 33 jours par les préposés à l'entrepôt et les conducteurs à la Division Ontario Food, Hickeson-Langs Supply Company et Ontario Produce Company et aussi les pertes d'opérations de l'année d'inauguration de l'Hypermarché Laval. Les bénéfices par action avant le revenu extraordinaire étaient de 40.1¢ sur 6,989,948 actions, soit une baisse de 12.3% de 45.7¢ sur 7,043,804 actions l'année dernière. Les bénéfices de 1973 ont été réindiqués conformément aux changements de comptabilité annoncés précédemment.

Le revenu extraordinaire de $2,037,000 dérivé de l'expropriation des propriétés de Dominion Mushroom Company Limited à Pickering et de la vente de Comserve Limited a porté les bénéfices nets finals à $4,838,000 en comparaison de $3,551,000 soit une augmentation de 36.2% sur l'année dernière. Les bénéfices nets finals par action furent de 69.2 cents soit une augmentation de 37.3% sur le montant de 50.4 cents. Dominion Mushroom continue de fonctionner et un bail pour la propriété expropriée est en voie de négociation.

Progrès

Au cours de la période à l'étude, Oshawa a ouvert deux établissements combinés comprenant un magasin d'alimentation et un grand magasin à rayons à l'Ile du Prince Edouard et un centre familial Food City à Toronto. La Compagnie a acheté au comptant et par billets toutes les actions émises et en circulation de Dutch Boy Food Market Limited et de Kitchener Food Market Limited qui exploitent quatre grands marchés d'alimentation et trois magasins dépanneurs à Kitchener-Waterloo. Hudon et Orsali Limitée a fait l'achat au comptant de toutes les actions émises et en circulation de E. Deaudelin Inc. un grossiste situé à Montréal, approvisionnant 240 débouchés. Consumers Distributing Company (National) Limited, possédé à 50% par Oshawa, a inauguré 10 salles d'exposition avec catalogue. Au cours de la deuxième moitié de l'année deux autres centres familiaux, un grand magasin à rayons, un marché entrepôt d'alimentation et 13 salles d'exposition avec catalogue seront inaugurés.

Perspectives

Les ventes dans toutes les divisions dépassent celles de l'année dernière et les marges de profit brut se maintiennent. Malgré l'augmentation continue des frais d'administration, particulièrement les salaires, les rémunérations et l'intérêt, les bénéfices au cours de la deuxième moitié de l'année devraient indiquer une amélioration satisfaisante sur 1973.

R. D. Wolfe Président du Conseil et Directeur administratif en chef	H. S. Wolfe Président et Directeur en chef des opérations

Le 18 octobre 1974

File

Oshawa

RAPPORT SEMI-ANNUEL

Pour les 28 semaines
terminées le 10 août 1974

The Oshawa Group Limited
300 The East Mall (Isl.)
Toronto, Canada M9B 6B8

Sales and Earnings

Sales in the 28 weeks ended August 10, 1974 increased 21.6% to a record $425,860,000 from $350,166,000 last year. Net earnings before extraordinary income were $2,801,000, a decline of 13.0% from $3,221,000, reflecting a 33-day strike by warehousemen and drivers of the Ontario Food Division, Hickeson-Langs Supply Company and Ontario Produce Company Limited and opening year operating losses sustained by Hypermarché Laval. Earnings per share before extraordinary income were 40.1 cents on 6,989,948 shares, down 12.3% from 45.7 cents on 7,043,804 shares last year. 1973 earnings have been restated in accordance with the accounting changes announced previously.

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R. D. Wolfe
Chairman and
Chief Executive Officer

H. S. Wolfe
President and
Chief Operating Officer

October 18, 1974

The Oshawa Group Limited and Subsidiary Companies (Lamorp)

Consolidated Statement of Profit and Loss

(thousands of dollars)

	28 weeks ended August 10 1974	August 11 1973	% Increase (Decrease)
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Earnings before undernoted items	**$ 5,110**	$ 6,294	(18.8)
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